

# **REQUEST FOR PROPOSAL**

## **AUDIT and ATTESTATION SERVICES**

**July 2016**



**CITY OF  
COVINGTON  
KENTUCKY**

**CITY OF COVINGTON, KENTUCKY**  
**FINANCE DEPARTMENT**  
**20 WEST PIKE STREET**  
**COVINGTON, KY 41011**

**CITY OF COVINGTON, KENTUCKY**  
**REQUEST FOR PROPOSAL FOR**  
**AUDIT AND ATTESTATION SERVICES**

**Issue Date:** July 13, 2016

**RFP Title:** Audit and Attestation Services

**Issuing Department:** City of Covington  
Finance Department  
20 W. Pike Street  
Covington, KY 41011

**Contact:** Lisa Desmarais  
Director of Finance and Operations  
(859) 292-2174  
[LDesmarais@covingtonky.gov](mailto:LDesmarais@covingtonky.gov)

**I. INTRODUCTION**

The City of Covington, Kentucky (“City”), through the Finance Department, is soliciting proposals from qualified entities (“Respondents”) who are interested in providing Assurance and Attestation Services for the City’s annual audit for its fiscal year ending June 30, 2016 with the City’s option of renewing for an additional year up to a maximum of three years, including the initial year.

There is no expressed or implied obligation for the City to reimburse Respondents for any expenses incurred in preparing proposals in response to this request. The City reserves the right to reject any and all proposals. The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether the proposal is selected.

Submission of a proposal indicates acceptance by the responder of the conditions contained in this Request for Proposals unless clearly and specifically noted otherwise in the proposal submitted and confirmed in the contract between the City and the respondent selected.

## **II. SUBMISSION DETAILS**

Respondents interested in being considered for the award of the services contract should submit a proposal ("Proposal") that conforms to the requirements of this Request by no later than **July 29<sup>th</sup>, 2016** at 10:00 a.m.

SEALED RESPONSES MUST BE MAILED OR PHYSICALLY DELIVERED TO:

Finance Department  
First Floor Window  
City Hall  
City of Covington  
20 West Pike Street  
Covington, Kentucky 41011

**RESPONSES MUST BE SUBMITTED BY: 10:00 a.m. **July 29<sup>th</sup> 2016**.**

Respondent proposals will be opened publicly at 10:10 AM on **July 29<sup>th</sup>, 2016**, by the City Clerk, **20 West Pike Street, Covington, Kentucky**.

Any and all questions concerning this Request for Proposal must be reduced to writing and emailed to Lisa Desmarais, Director of Finance and Operations, at [LDesmarais@covingtonky.gov](mailto:LDesmarais@covingtonky.gov). No questions will be addressed after **July 22<sup>nd</sup> 2016**.

Facsimiles, electronic, or e-mailed proposals will NOT be accepted. Proposals not received by the specific date and time will be rejected.

## **III. SCOPE OF SERVICES**

The City of Covington is seeking proposals of qualified firms of public accountants to perform and complete a financial and compliance audit, of the financial statements of all governmental, proprietary and fiduciary funds of the City. These audits are to be performed in accordance with Generally Accepted Auditing Standards (GAAS) as well as OMB A-133.

Additionally, in accordance with KRS 91A.040 the auditor shall:

- a. Examine the financial statements of all governmental, proprietary and fiduciary funds of the City;

- b. Prepare all audit information in accordance with generally accepted governmental auditing standards, which includes such tests of the accounting records and such auditing procedures as considered necessary in the circumstances. Where the audit covers the use of state or federal funds, appropriate state or federal funds, appropriate state or federal guidelines and program compliance shall be utilized and determined;
- c. Prepare a printed bound report, in Comprehensive Annual Financial Report (CAFR) format, embodying financial statements and opinions and statements relating thereto; including all statistical sections. Express an overall opinion as to whether the statements of revenues and expenditures presents fairly the financial position of the City, or state the reasons why an overall opinion cannot be expressed;
- d. Reviews internal accounting controls including an analysis of the City's method of issuing checks, prepares assessment surveys of such controls and outlines deficiencies and makes recommendations for improvement of controls;
- e. Be available for consultation on items that will have a material effect on the financial schedule;
- f. Schedule at least one post audit conference with the City Manager and the Director of Finance and Operations prior to the preparation of the final completed audit;
- g. Present the completed audit and all accompanying documentation to the City legislative body at a regular or special meeting;
- h. Provide the City with fifty (50) bound copies of the CAFR document.

**Special provisions:**

- a. Prepare a general audit schedule which outlines anticipated dates for starting the engagement, completing specific components, post audit conference and presentation to the Board of Commissioners.
- b. Prepare a schedule with dates of specific tasks for City personnel to complete.
- c. Itemize all billings to clearly show hourly rates and other costs (outlined in section 5) by audit component.
- d. Schedule a pre-audit conference with the Director of Finance and Operations to discuss scheduling and procedures related to the audit.

- e. Should the circumstances disclosed by the audit call for more detailed investigation by the auditor than necessary under ordinary circumstances, the auditor shall inform the City in writing of the need for such additional investigation and the changed agreement shall comply with KRS 91A.040.
- f. Any evidence of fraud, such as misappropriation, misfeasance, malfeasance, embezzlement, defalcation or illegal acts shall be immediately reported to the City Solicitor, Attorney General and the Auditor of Public Accounts of the Commonwealth of Kentucky

#### **IV. SUBMISSIONS OF PROPOSAL**

Proposals are to be submitted in a plain sealed envelope, labeled “**AUDIT and ATTESTATION SERVICES**”. Proposals are to be prepared based on the following requirements set forth in this form. The purpose of the proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the City in conformance with the requirements of this RFP. As such, the substance of proposals will carry more weight than their form or manner of presentation. The proposal should be prepared simply and economically; although additional data may be presented, the following subjects must be included, as they represent the criteria against which the proposal will be evaluated:

- a. **FIRM INFORMATION.** Include the firm name, size, address of office responding, telephone number, contact person with title and email address, and historic information on establishment including parent company, if applicable. State local presence in the region, if any, and indicate the office location(s) where the majority of the work will be performed.
- b. **INDEPENDENCE** – The Respondent should provide an affirmative statement that all personnel materially contributing to the services outlined in this request are independent of the City.
- c. **QUALIFICATIONS.** Provide all of the following information; the types of services offered the firm’s in-house capabilities and those services which are typically subcontracted to outside firms; the number of professional CPA’s on staff who have worked on audits of a similar nature. Additionally, an affirmative statement should be included indicating that the Respondent firm and key staff are properly licensed to practice in Kentucky.

- d. **EXPERIENCE.** Provide a summary table listing representative audits completed by the firm within the last five years. List the experience with implementing GAAP, GAAS and GAGAS changes.
- e. **SPECIFIC AUDIT APPROACH.** The proposal should set forth a work plan (including an explanation of audit methodology to be followed) to perform the services required in Section III of this Request for Proposal.
- f. **REFERENCES.** Please provide a complete list of references, including contact person and telephone number and email address, for all governmental auditing accounts performed in Kentucky.
- g. **STAFFING.** Provide the names of the key people who would be available and proposed for assignment to the audit. Include a bio in a standard format, providing title, length of time with the firm, previous employment and total years of experience, professional registrations, awards, and a brief summary of related experience. Each bio should not exceed two (2) pages.
- h. **QUALITY ASSURANCE AND QUALITY CONTROL PROCEDURES.** Provide a description of the techniques used by the firm to provide quality control and assurance. Include most recent peer review report and details on the results of any professional organization, federal or state desk reviews or field reviews of its audits during the past three (3) years.
- i. **NOTICE OF DEVIATION: *If Applicable.*** Deviations from the requested service terms listed below must be expressly disclosed. Responses failing to meet all of the specifications will not necessarily be rejected, but any deviations must be clearly noted to be considered.

Please Complete Information Below for Option 1 and Option 2 and Provide **Under Separate Closed Cover** with name of firm and “**Price**” typed on front of envelope.

**Option 1: One Year Contract.** The maximum fee to satisfactorily complete the above provisions shall be \$\_\_\_\_\_ for fiscal year 2016; said fee shall be based upon the following hourly rates;

	Per Hour	No. Hours	Total
Partner	\$_____	\$_____	\$_____
Supervisor Auditor	\$_____	\$_____	\$_____
Staff Accountant	\$_____	\$_____	\$_____

**Option 2: Three Year Contract.** The maximum fee to satisfactorily complete the above provisions shall be \$\_\_\_\_\_ for fiscal year 2016, \$\_\_\_\_\_, for fiscal year 2017, and \$\_\_\_\_\_ for fiscal year 2018; said fee shall be based upon the following hourly rates;

	Per Hour	No. Hours	Total
Partner	\$_____	\$_____	\$_____
Supervisor Auditor	\$_____	\$_____	\$_____
Staff Accountant	\$_____	\$_____	\$_____

## **V. PROPOSAL EVALUATION PROCEDURES**

### **A. Review of Proposals**

The City will use a point formula during the review process to score proposals.

The City reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

### **B. Evaluation Criteria**

Respondents meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price.

The following criteria will be used to evaluate the qualifications of Respondents:

1. Reciprocal preference for resident bidders required by Kentucky Revised Statutes (KRS) § 45A.494.
2. Degree of Respondent's ability to fully comply with the requirements in this Request.
3. Degree of familiarity, skillset and reputation as compared to other Respondents.
4. Competitive pricing as compared to other Respondents.
5. Time of delivery, performance, and completion.
6. Ability to provide the requested services and fulfill the minimum specifications.

### **C. Oral Presentations**

During the evaluation process, the City may, at its discretion, request any one or all of the firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the City may have on a Respondent firm's proposal. Not all firms may be asked to make such oral presentations.

### **D. Final Selection**

It is anticipated that a firm will be selected and notified within 30 business days of the RFP Due Date. It is anticipated that the firm award will be formally confirmed by city commission on August 9<sup>th</sup> 2016.

### **E. Negotiation of Contractual Terms**

After the Selection Committee makes its final determination, the awardee and the City will negotiate and execute a final agreement prior to the commencement date. Failure by any Respondent to timely respond or come to terms with the City will be cause for a rejection of the Proposal.

### **F. Right to Reject Proposals**

Submission of a proposal indicates acceptance by the Respondent of the conditions contained in this Request for Proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the Respondent firm selected. The City reserves the right, without prejudice, to reject any or all proposals.

## **VI. ADDITIONAL INFORMATION**

### **A. Modifications**

In no event shall the deadline for submission of the Proposals be changed except by written modification from the City of Covington, Office of the City Manager. The City reserves the right to modify this Proposal through written addendum at any time prior to the Proposal deadline for any reason. All modifications shall be issued in a written addendum and made available on the City's website, [www.covingtonky.gov](http://www.covingtonky.gov), and prior to the deadline for submissions.

The City shall not be responsible for oral interpretations given by any City employee, representative, elected official, or others. The issuance of written addenda is the only official method whereby interpretation, clarification, or additional information can be given. If any addenda are issued to this Proposal, the City will attempt to notify all prospective submitting entities and the addenda shall become a permanent part of the Proposal; however, it shall be the



responsibility of each submitting entity, prior to submitting a Proposal to either (1) contact Lisa Desmarais, Director of Finance and Operations, or (2) review the Request details at [www.covingtonky.gov](http://www.covingtonky.gov), to determine if any addenda were issued and to make such addenda a part of the submission of its Proposal.

#### **B. Competitive Bidding**

It is the intent of the City that this Request for Proposal is conducted according to the competitive sealed bidding procedures set forth in KRS 45A.080. It shall be the Vendor's responsibility to advise the City if any language, requirements, etc. or any combination thereof, inadvertently restricts or limits the requirements stated in this Proposal to a single source. Such notification must be submitted in writing and must be received no later than three (3) days after the opening date.

#### **C. Exclusions**

Accidental exclusions on behalf of the City in this request will not be held against the City as an extra cost of doing business. It is the responsibility of the Respondent to assure that all necessary information including costs of providing the described service herein are included in the Respondent's Proposal. Any "hidden" fees or services intentionally excluded or added to a Proposal to deceive the City will immediately disqualify the Respondent from this and any further business with the City.

#### **D. Public Information Notice**

All Proposals submitted to the City will be kept in confidence by the Selection Committee and shall be used solely for the purpose of evaluating the Proposal for a possible award. The City retains the right to provide copies provided by Respondents to its staff, legal, technical, and financial advisors and representatives. Respondent should take care not to provide any confidential information, trade secrets or other intellectual property, that they do not want to be received by City staff.

**Please note that** all information submitted for review may be subject to the **Kentucky Open Records Act** and may be made available upon request by the public. Respondents should identify any confidential, proprietary information or trade secrets and provide justification as to why the disclosure of the records would permit an unfair commercial advantage to the Respondent's competitor.

**CITY OF COVINGTON, KENTUCKY  
SOLICITATION OF PROPOSAL TO CONDUCT AUDIT  
SUPPLEMENTAL DATA**

1. A copy of the FY15 CAFR can be found at this website address:  
[http://www.covingtonky.gov/Portals/covingtonky/Documents/Financials/2016\\_finance\\_CAFR.pdf](http://www.covingtonky.gov/Portals/covingtonky/Documents/Financials/2016_finance_CAFR.pdf)

2. The City of Covington uses KVS and SPRINGBROOK as its accounting software including:

General Ledger - Springbrook  
Payroll - Springbrook  
Accounts Payable – Springbrook  
Receivables – Springbrook  
Budgeting – Springbrook  
Bank Reconciliation – Springbrook  
Cash Receipts – Springbrook  
Fixed Assets - Springbrook  
Business Tax - Springbrook  
Collections – KVS  
Billing (Property and Waste Fees) - KVS

3. The City has implemented ProSystem fx Engagement software as a tool to automate the preparation of the CAFR.
4. During the audit, the finance department staff will make themselves available to assist the audit team. Every effort is made to provide requested data as quickly as possible.
5. There are no significant differences in the Federal Funding levels since FY 2016.
6. There are no significant changes in record keeping or number and types of funds since FY 2016.
7. The City is required by the Office of Management and Budget Circular A-133 to have an audit conducted in accordance with the circular if we exceed \$500,000 or more in a year in Federal Funds. The City of Covington must comply with OMB Circular A-133. The City is expected to expend more than \$500,000 in Federal Funds.

8. The City anticipates closing all accounting records on July 31<sup>st</sup>, 2016.

9. Expected audit report due date is September 30, 2016; this is to ensure deadline of commission approval of audited financials by October 11<sup>th</sup>, 2016.